

(d) *Net collateral ratio* means a bank's net collateral, divided by the bank's total liabilities.

(e) *Net investment in the bank* means the total investment by an association in its affiliated bank, less reciprocal investments and investments resulting from a loan originating/service agency relationship, including participations.

(f) *Nonqualified allocated equities* means allocations of earnings designated to the institution's members that are not deducted from the gross taxable income of the allocating institution at the time of allocation.

(g) *Perpetual stock or equity* means stock or equity not having a maturity date, not redeemable at the option of the holder, and having no other provisions that will require the future redemption of the issue.

(h) *Qualified allocated equities* means allocations of earnings that are deducted from the gross taxable income of the allocating institution and designated to the institution's members.

(i) *Total surplus* means:

(1) Undistributed earnings/unallocated surplus;

(2) Allocated equities, including allocated surplus and stock which, if subject to revolvment or retirement, have an original planned revolvment or retirement date of not less than 5 years and are eligible to be included in permanent capital pursuant to § 615.5201(j)(4)(iv); and

(3) Stock that is not purchased or held as a condition of obtaining a loan, provided that it is either perpetual stock or term stock with an original maturity of at least 5 years, and provided that the institution has no established plan or practice of retiring such perpetual stock or of retiring such term stock prior to its stated maturity. The amount of term stock that is eligible to be included in total surplus shall be reduced by 20 percent (net of redemptions) at the beginning of each of the last 5 years of the term of the instrument.

(4) The total surplus of an institution shall exclude the net impact of unrealized holding gains or losses on available-for-sale securities.

(5) A capital instrument or a particular balance sheet entry or account that the Farm Credit Administration has

determined to be the functional equivalent of a component of total surplus. The Farm Credit Administration may permit one or more institutions to include all or a portion of such instrument, entry, or account as total surplus, permanently or on a temporary basis, for purposes of this subpart.

(6) The Farm Credit Administration may, if it finds that a particular component, balance sheet entry, or account has characteristics or terms that diminish its contribution to an institution's ability to absorb losses, require the deduction of all or a portion of such component, entry, or account from total surplus.

(7) Any deductions made by an institution in the computation of its permanent capital pursuant to § 615.5210(e) (6) and (7) shall also be made in the computation of its total surplus.

[62 FR 4447, Jan. 30, 1997; 62 FR 19219, Apr. 21, 1997]

§ 615.5330 Minimum surplus ratios.

(a) *Total surplus.*

(1) Each institution shall achieve and maintain a ratio of at least 7 percent of total surplus to the risk-adjusted asset base.

(2) Each association shall compute its total surplus ratio by deducting an amount equal to the amount of allocated bank equities counted as permanent capital by the bank;

(3) Each Farm Credit bank shall compute its total surplus ratio by deducting an amount equal to the amount of the bank's equities counted as association capital.

(b) *Core surplus.*

(1) Each institution shall achieve and maintain a ratio of core surplus to the risk-adjusted asset base of at least 3.5 percent, of which no more than 2 percentage points may consist of allocated equities otherwise includible pursuant to § 615.5301(b).

(2) Each association shall compute its core surplus ratio by deducting an amount equal to the net investment in its affiliated Farm Credit bank from its core surplus.

(c) An institution shall compute its total surplus and core surplus ratios as of the end of each month.

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